

Opening Statement of Energy and Commerce Committee Chairman Fred Upton Health Subcommittee Hearing on “Implementation and Sustainability of the New, Government-Administered Community Living Assistance Services and Supports (CLASS) Program

(Remarks Prepared for Delivery)

Mr. Chairman, thank you for holding this hearing today. Next Wednesday marks the one-year anniversary since the President signed his health care reform legislation into law. Over the last year, we have heard from our constituents, industry stakeholders, and taxpayer advocates regarding the potential consequences of the health care reform bill and its incredibly far-reaching policies – an interactive process that I wish had happened prior to the bill’s passage but instead was avoided for reasons unknown.

Today, we will gather more information on just one of the many far-reaching and costly policies that were tucked away into the president’s health reform package. The Community Living Assistance Services and Supports (CLASS) Program is a new government-run benefit program. The Administration on Aging (AOA) has been charged with the implementation of the program and that process is in its initial phases. The lack of clarity around the CLASS program has raised widespread concerns about the program’s structure and long-term sustainability. However, many of those concerns reflect the unease that many members shared during congressional debate on health care reform more than one year ago.

During that time, advocates of the CLASS program argued that the private market options were too costly and/or too difficult for certain populations to access due to pre-existing conditions and disabilities. However, during that same debate, members on both sides of the aisle raised concerns that the CLASS program was actuarially unsound and fiscally irresponsible — creating a long-term financial risk for the federal government and potential beneficiaries.

During the Senate debate on health care reform, Senator Kent Conrad, a Democrat from North Dakota, called the CLASS Act "a Ponzi scheme of the first order, the kind of thing that Bernie Madoff would have been proud of." Senator Conrad was not alone in his concerns, and several of his Democrat colleagues joined him in opposing the CLASS program’s inclusion in the health care reform bill. Unfortunately, for them and the American taxpayer, the flawed program was tucked into the final piece of legislation.

Most recently, Secretary Sebelius admitted her personal concerns with the CLASS program. In a recent testimony before the Senate Finance Committee, she recognized the program was “totally unsustainable” and just two weeks ago, reaffirmed her analysis before this committee while testifying on the president’s Fiscal Year (FY) 2012 budget.

I am extremely concerned that the CLASS program, in its current form, is nothing more than a budget gimmick and a faulty coverage product that I believe even Secretary Sebelius would have likely rejected during her days as the Insurance Commissioner for the State of Kansas.

The secretary's admission reinforces the conclusion of the Medicare actuary who wrote that the program had "a very serious risk" of becoming unsustainable, and the Fiscal Commission's recommendation that the program is "financially unsound" and likely to "require large general revenue transfers or else collapse under its own weight" — calling on Congress to either repeal or reform the program altogether in order to identify trusted options for individuals to purchase LTC coverage.

We all agree that long-term care costs will pose a challenge for our aging population and the nation's entitlement infrastructure, and we should be committed to identifying innovative solutions that allow Americans the ability to plan for an independent retirement and a dignified and quality lifestyle in their later years. However, creating a new government-run entitlement program on the backs of the American taxpayers that runs the high-risk of insolvency is not a solution but rather a scam.

According to the Congressional Budget Office, the CLASS program could become insolvent by 2030— a result that will carry significant financial liabilities for the federal government and ultimately, a potential loss for the beneficiaries who enroll in the program. Our constituents deserve better, and I hope that before the administration moves forward with program implementation that this Congress will have another opportunity to revisit the CLASS program.

From my understanding, President Obama has requested approximately \$120 million for Fiscal Year 2012 to initiate the implementation of the CLASS program, including over \$90 million for education about the program. The president's budget request is shocking, and I hope Assistant Secretary Greenlee can help us all understand how the administration, with the nation facing its most historic deficits, could request such a sum of money for a program even the nation's chief health official admits is totally unsustainable.

Today's hearing will provide us with the information we need to better understand where this administration is in implementing the CLASS program. I look forward to hearing from our witnesses on what they believe are the most significant flaws with the program structure and what changes the administration intends to make to ensure the solvency of the program over the long-term.